GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3563
ANSWERED ON:27.04.2007
BRINGING OF VARIOUS SCHEMES UNDER EET
Meghwal Shri Kailash

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to bring instruments like Provident Fund (PF), Equity Linked Savings Scheme (ELSS) and Pension Schemes under Exempt Exempt Tax (EET);

(b) if so, the details thereof; and

(c) the likely benefits to the Government and an individual for such shift from Exempt Exempt Exempt (EEE) to EET regime?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE: (SHRI S.S. PALANIMANICKAM)

(a)&(b) The Finance Minister, in his Budget Speech of 2005-06, had announced the decision of the Government to adopt an Exempt Exempt Tax (EET) method of taxation of savings in accordance with the best international practice. He had also stated that before migrating to the EET system for all kinds of savings, it would be necessary to resolve a number of administrative issues and proposed the setting up of a Committee of Experts to work out the roadmap for moving towards an EET system.

Accordingly, a Committee of Experts was set up to work out the roadmap for moving towards EET method of taxing saving instruments. The Committee deliberated on a variety of issues and submitted its report to the Government in November, 2005. The report is being examined by the Government.

(c) Since withdrawals under an EET system are liable to tax, the investor will be encouraged to make long-term savings. This will obviate the need to provide any old age benefit by the Government and enable the Government to reduce its subsidy burden.